

**ANALYSIS OF CURRENT  
STAFFING AND OPERATION OF  
THE CITY OF SKOPJE,  
MACEDONIA**

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## **ANALYSIS OF CURRENT STAFFING AND OPERATION OF THE CITY OF SKOPJE, MACEDONIA**

### **INTRODUCTION AND DESCRIPTION OF CURRENT CONDITIONS**

In this report the "Transition Team" consists of Mirjana Apostolova and five other members of the City Administration, and the "Consultants" are Alan Edmond (short term) and Steve Bernard (longer term). English equivalent terms "City Council", "City Administration", and "municipality(ies)" are used, the last term referring to the seven districts of the City of Skopje, each headed up by its own Mayor and Council.

At the inception of the study the City's Transition Team had met several times and had produced an outline of a table of organization, with two refinements to it having been sketched out. Few other written documents, other than some of the relevant laws, were available in English. The Team was, however, available at all times and quite cooperative in its willingness to provide information and insights as to local politics, changing needs, the City's vision, etc.

The T.O. outlined the major offices to be included in the new scheme, but intentionally did not include any proposed lines of authority leading from the City Council or the Mayor's office to the operating agencies. Consultants and the Team agreed that this was the proper approach at this stage, with lines of authority being of immense importance and therefore to be discussed at length.

Upon arrival the Team presented the Consultants with a schedule of events which compressed all activities into a two-week period, and consisted of a series of seminars, with recommendations for a new a City structure listed as outcomes of the sessions. The Consultants reviewed this with AID and agreed with the City that there would be two major seminars held, but that the bulk of the activities would consist of a dialogue between the Team and the Consultants, leading up to a detailed study to be conducted by Mr. Bernard after Mr. Edmond's departure. The Team understood this need of the team, and all work proceeded accordingly. The Team found the seminar approach to be quite useful in that it provided the opportunity to speak about trends in city administration in the U.S. and Europe, and also provided the opportunity for an introduction of the study to representatives of the Ministry of Justice and the City Council as well as City administrators who were not on the Team.

The Team produced a set of goals and objectives for the restructuring effort, and also a Table of Organization with two permutations. Much of the time spent with the Team consisted of detailed discussions about the current and future roles of the City, and the possible administrative relationships in view of current laws and the state of negotiations between the National Government and the City. Below is a brief list of findings about the current state of affairs, and impressions about the various possibilities for change:

- The City acts as a policy maker, and not a large organization to deal with utilities and large operations. The city's administrative body has over the years lost its ability to manage large organizations, and does not control or manage typical municipal functions like police, fire, or health.
- The City does not collect revenue, and although it has activities that generate revenue, the current orientation is toward letting the national government collect revenue and pass it down.

- Districts (municipalities) within the city are autonomous, and are simply allocated a large portion of the budget. The City administration, and presumably the Council, do not have access to the municipalities' records.
- Utility enterprises are no longer a part of the City, even though the law calls for a return. The enterprises are in limbo, and their managers will not leave office.
- Yet the Team is not proposing a return of management of these by the City, but an increased coordinating function, and possibly revenue enhancement.
- The City is looking for profitable activities, such as concert halls, to take a cut of the profits; it seems not interested in taking on possible money losers like the health department.

The major goals and objectives, as expressed by the Team in writing and in discussions, are summarized in general areas as follows:

- "Flatter" City government organization that allows a greater degree of input to decisions by all levels of management.
- Financial independence in the sense of being able to set budgets, participate in securing new sources of revenue, and collecting and retaining revenues locally.
- An organization that is poised to take on more management responsibilities as powers are devolved to it by the national government.
- The development of City personnel in terms of a rational reporting and pay system, motivation to perform more efficiently and in ways which will grow the organization.
- An internal and external communications system that includes complete access to the records of governmental units which the City controls or interacts with in major ways.
- Modernization of equipment and methods, with an emphasis on computerized reporting systems and the adoption of standard financial control systems and international quality standards (ISO 9000).

The Team has also adopted a set of guiding principles for restructuring and enhancing the role of the City administration. Among those are both enabling and limiting factors:

- "Citizen as Customer" orientation, including the enabling of citizen participation through transparent records, a proactive search for citizen inputs, and a systematic way to determine demand for services, proper fees, and tax levels.
- Better separation of politics and administration, manifested in improved appointive procedures, length of tenure, non-interference by party officials, and placing political appointees out of the

direct line of supervision of departmental managers. Implicit in this is the requirement for a better system for training and retaining career employees who transcend elections.

- Adoption of ISO 9000 standards.
- Teamwork techniques, and a new corporate culture for carrying out a well-defined and systematized set of missions.
- No reduction in core staff (currently 178) but qualitative improvements in the way they are trained to organize and carry out their administrative and coordination tasks.
- Capacity to take on more management responsibilities regarding the enterprises now acting independently, other government units now controlled by the national government, and sources of revenue potentially to be controlled by and exploited rationally by the City government.

## THE CURRENT REORGANIZATION PLAN UNDER DISCUSSION

The Team has produced tables of organization and some documentation concerning several possible schemes. The Team is to present the Mayor with two or three possible schemes by the end of March, and he in turn will present his restructuring recommendations to the City Council during April, for their final vote prior to the end of May.

Both Mr. Edmond and Mr. Bernard were involved in detailed discussions of the roles of the various City departments. What follows is a brief description of the initial, perceived views of the Team regarding the interrelationships of City departments for best effect under the goals and principles listed above.

The Team would like to keep administrative powers vested in the office of the Mayor, and in permutations on its February scheme it has tentatively proposed that the Council's office of Operations/Technical and Professional Services, with its 10 employees, be moved to the Services area, which to date has been assigned to the Mayor and consists of support functions staffed by about 60 employees.

The City Architect's office by law and custom has enjoyed autonomy, and the temptation to include that function in a city planning department should be resisted. In order to protect the integrity of that office no plans have been put forward to subsume that function under another, or to make the Architect a "Super Planner".

The Mayor's cabinet is an area of some concern, in that it currently has within it staff members and advisors who are not drawn from or connected with line agencies. This is unlike the Mayor's cabinets in some other Central and East European countries such as Poland, the Czech Republic, and Bulgaria, where the cabinet, or Executive Committee, has within it, in various combinations, both advisory and line manager employees. In many countries the position of Deputy Mayor is an appointed, powerful position with wide scope and line authority, and one or more Deputy Mayors are included in the cabinet, by whatever name.

Furthermore, in the case of Skopje, there can be an excess of political power in the cabinet which is far removed from the line agencies, and some cabinet members can be appointed and operate without any intimate knowledge of the workings of city administration. For these reasons, the Team is considering ways it might strengthen the cabinet's policy making role in the context of sound administration and a link to the line operations of the city.

The Team recognizes the urgent need to gear up for a greatly expanded city development role, in order to begin to realize an expanded revenue base and also to regain a role in at least supervising six of the nine enterprises taken out of City control and returned by law if not yet in fact. This is the crux of the matter, as observed during the first week on site. That is, the City administration sees the need to provide services in such a way that the citizens are able to make inputs into service delivery policies, and that fee levels are set to maximize service delivery and to set aside investment capital for expanding the utility networks of the City as it grows.

## SUMMARY OF INITIAL FINDINGS AND PRELIMINARY RECOMMENDATIONS FOR RESTRUCTURING OPTIONS

The City's wish, as expressed by the Team in the initial meetings with the Consultants, is to regain control of some or all of the enterprises removed from the City by law several years ago, and also to take control of several functions now controlled by the national government which have the potential of creating additional revenues for the City.

However, it is apparent from initial meetings that the City is not anxious to take back the enterprises and other departments in order to manage them as traditional city departments, with all that entails in terms of taking on thousands of employees and installing systems to collect revenues. The City, it seems at this stage of analysis, would like to build its management capacity in order to coordinate certain regained enterprises and functions much more closely, and in time negotiate the return of more of them through the City's demonstrated ability to incorporate them into the City structure.

In order to take on the immediate role of close coordinator and policy making body for some new functions, and in order to prepare for the long term, expanded role the City is likely to have, the Consultants and the Team have independently and jointly identified several areas in which the City can improve its internal organization and management capabilities. These improvements should be carried out in conjunction with the formal reorganization, the specific improvements hopefully to be used as reform vehicles as much as the reorganization of the City's reporting relationships and the interrelationships of City offices. The major management improvement areas identified to date are:

- Proper classification, pay, and job specifications for all management positions. This should be carried out in close coordination with the restructuring to insure that new or upgraded positions are effectively filled and that salaries are commensurate with duties. Pay and classification studies should include a "train the trainers" component to help insure an ongoing effort.
- Management training, stressing teamwork among department managers, and an open, enabling type of leadership style, should be instituted.
- Internally, a Human Resources office and approach should be put into place to foster a customer orientation among staff and to minimize the political approach to management that can pervade an organization that is in transition.
- For external relations, a function, and an office or offices should be instituted which proactively seek to determine the demand for various types of services, and carries out quality control activities, including a complaints resolution program, in a systematic fashion.

Under current law the City Council has extraordinary powers in its control of the City administration, and reportedly selects employees without regard to training, background, and suitability for posting. The Council, or any of its members, also has the legal power to question any action of the City administration, thus having the potential to slow down administrative processes at will. While it is unclear at this time

whether the Council has used that power to put a stranglehold on the City administration or to staff it with totally unfit appointments, the potential is there for great abuse. Therefore consideration should be given to creating a mechanism wherein the Council's requests for information are channeled through an office of the Mayor, with appropriate levels of openness of those requests to public inspection.

As to outstanding legal considerations for restructuring, there is a problem with the law granting invasive administrative oversight powers to the Council (see above).

The major statutes involved in this activity seem not to be a problem because of their existence, but may be used as obstacles to reform by those who strongly oppose restructuring. For example, the Law on Public Utilities is comparable to other laws in CEE which give cities the legal power to set up or regain public enterprises, in this case from the national government. The Law allows Skopje to establish utilities and to appoint directors, steering committees, and oversight boards. However, opponents of these actions have stalled the process by bringing into question such matters as the underlying ownership of utility assets.

Discussions with the Team did not reveal any outstanding procedural problems caused by existing laws or the need for new enabling statutes. That is, the restructuring of the City administration is called for and underway. Moving organizations around within the overall structure requires only bylaw (City Council) actions. Returning former enterprises has already been called for in statutes, and the assignment of some national organizations to the City has been enabled by the statutes setting up a bargaining committee of city and national government officials to examine such turnovers.

### THREE GENERAL MODELS FOR CONSIDERATION

This preliminary analysis of the City's progress so far in setting goals and establishing operating principles, in rethinking the reporting relationships and grouping existing City offices, and in creating new offices in anticipation of new and expanded roles for the City, leads to three possible models from which to build.

#### ***Model 1: Modified Status Quo***

Under this arrangement the City Administration would make no radical changes in the structure it has, but would concentrate on developing administrative areas of emphasis and finding ways to create a more effective role for the Mayor and his department heads while helping to resolve authority issues with the Council. The main features that vary from the Team's "Possible Organization" chart of February are:

- The Council agrees to channel its administrative oversight function through a newly-established standing committee which relates on a regular basis with the City Administration. Requests for information on administrative matters are put in writing and protocols are established for grouping complaints and inquiries, and for separating personnel matters from all others. Protocols for openness of records and for length of response are established.



- The Mayor's cabinet is modified by moving the law department and the quality system function to it from the Organization and Development of Self-management department proposed by the Team. The quality system function is filled by someone with proper credentials, and also takes over the proposed initiatives and complaints function proposed by the Team. This person would be responsible for acting as liaison with the Council's oversight representatives.
- A City personnel recruitment and placement bylaw would be enacted by the Council which would spell out job specifications, pay levels, and any testing requirements for all City posts. This would be enforced by the Mayor's cabinet, and probably would have to be phased in unless, and until, the law on Council oversight can be changed to exclude Council influence over hiring and firing City staff.
- The new Finance department would include a revenue enhancement section which would work with the committee which has been established to negotiate the turnover of national government functions to the City. This office would be expert in making revenue projections for existing national sources of revenue falling within City limits as well as for locally-generated fees and charges the City could potentially collect and retain. The office would also conduct investigations of the types and costs of improved systems for creating and maintaining property tax cadastres and other major potential sources of revenue.
- Land development would be made a separate department, as the Team recommends, with the addition of a trained analyst to consider and report on all aspects of enhancing building-related fees and collecting them at the City, and not the national level.

### ***Model 2: A City Administration Enabled to Take on New Roles and Responsibilities***

All of the above would be instituted, and three Deputy mayors would be added to the structure, each to administer a major group of departments. The Deputy Mayors would be nominated by the Mayor and would be approved by the Council in an open meeting. Each person nominated would conform to specifications drawn up for the position by the Mayor, with appropriate education and experience for the post.

Major departments would be grouped according to kindred functions under the three Deputy Mayors, with some consideration given for the size of each proposed department. Possibilities are:

■ **Group A: Financial and Human Resources.** Includes all budgeting, accounting, and financial control functions; the organization and development of self management department; the information systems department; the services department, including the operational, technical, and professional services office of the City Council.

■ **Group B: Public Utilities.** Contains all utilities including transport, infrastructure services, inspections, control of public enterprises.

■ **Group C: Planning and Land Development.** Combining these would form a linkage between the master planning effort and the Deputy Mayors, who would have broad administrative powers and would serve on the Mayor's cabinet, thus forming a link between the policy making and the line functions, and diluting the power of political appointees to the cabinet.

As in the first model, the Council would have an absolute minimum of administrative duties, but would still have an administrative oversight function through the approval of department head (and no other) appointments and the continuation of a complaints and investigation role that is channeled through a standing committees and the Mayor's cabinet. The investigative powers of individual Councilors granted by law in Macedonia are not unusual in concept, but need to be channeled and need to be disciplined by the collective will of the Council, and by openness of process and records except in cases of suspected criminal malfeasance.

***Model 3: A City Administration Fully Equipped to Manage Regained Enterprises and Departments, and to Collect Revenues***

This would entail all of the above recommendations, but would assume the official assignment of one or more utility enterprises to fall under the City's oversight, but not management, role. It might also require another Deputy Mayor if the regained or reassigned departments were not related closely to the utilities; for example, the health department.

Such an oversight role would necessitate the creation of a much enhanced finance department, under the assumption that regained or reassigned utilities and departments would come to the City with the potential for enhancing the City financially through revenue surpluses or new revenue sources not tied to expenditures. And yet the return or assignment of such departments would not affect the size of the core City staff other than the Finance Department's, in that the daily operations and the purchasing, the revenue collection, and the employee relations functions of those departments would come with them as a package.

The Finance Department under this model would need additional expertise in financial planning, capital improvement planning, and internal auditing.

The sustainability of this "oversight but not management for now" approach is questionable, and perhaps the City should consider a different role. That is, there is momentum for the utilities that are now owned by the national government to become private or semi-private service organizations. If they are headed in that direction, and if the legal situation as to their ultimate status is in doubt, as is reported to be, then the City is in a very weak position to take back those organizations and hope to control them but not be involved in the details of their service provision, budgeting, and long-range planning.

Instead, the City should consider steps it might take immediately to take advantage of the changing status of some of the national utilities, and to make use of the trend toward privatization which is pervading Central Europe. In Poland, for example, enabling laws have been passed which not only allow municipal utilities to assume joint stock or limited dividend corporation status (steps just short of privatization status), but they mandate that utilities will become such unless City Councils take affirmative action to retain them as city departments *per se*.

Under an arrangement similar to that already carried out in many Polish cities, Skopje would develop a very qualified cadre of enterprise specialists to oversee the utilities the City would like to control and use as revenue sources. The process used in one Polish city which eventually led to the creation of a semi-private cleaning and waste disposal company was generally as described below:

- Extensive financial analyses of all local enterprises to determine the advantages and disadvantages of "privatizing" each one under the constraints of jurisdictional laws and the opportunities provided by new laws on taxing profits were conducted, as well as studies about the proper use of new technology and equipment to maximize profits and to provide services at levels that the public deemed most appropriate.
- Council/Administration workshops were held to work out the details of the chosen departments and to spell out the responsibilities of the City and the new departments over the short-term and the long-term development of staffing plans and the accommodation of national labor laws and union rules.
- Decisions were made about the role of the Council in setting rates and performance standards.
- A computer model of finances under various scenarios of rate increases, levels of subsidy by the City for new equipment, and expansion of the service area was created.
- A plan was devised for the City to hire additional staff to oversee and inspect the utility, independently of the existing quality control office in the City structure, and most importantly, creation of, and Council approval for, a contract for services with the new company which spelled out:
  - The methods by which the public would be consulted about service levels (questionnaires, focus groups, open meetings, Councilor inquiries)
  - Compliance standards for cleanliness, health practices, frequency of cleaning and solid waste disposal, etc.
  - A procedure for recording, tracking, and resolving service complaints or alleged violations of the service agreement
  - Financial reporting and accounting systems more strict than required by national law, including an independent audit requirement

## COMPARISON WITH OTHER CENTRAL AND EAST EUROPEAN COUNTRIES

The initial recommendations and observations spelled out above are consistent with practices in other Central and Eastern European countries, where the following features are found in various local governments attempting to rationalize their administrative structures:

- A strong executive committee, or cabinet, which has members with strong links to the line agencies of the City (Poland, Bulgaria, Croatia, Czech Republic).
- City Councils with few if any administrative powers, but with some control over major appointments to administrative posts (Bulgaria, Poland).
- Diffusion of complaint resolution powers (all countries), but an attempt to channel complaints through a limited body of the Council and an office of the Mayor (some Polish cities).
- Deputy Mayors with strong administrative powers (Croatia, Poland, Czech Republic).
- Public relations/customer satisfaction components within the enterprises themselves, rather than in the office of the Mayor or reporting to the Council (Poland).